



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

December 26, 2013

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", written over the printed name and title.

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES – PROCUREMENT
REVIEW**

In August 2007, your Board instructed the Auditor-Controller to develop a risk-based plan to audit procurement operations in all County departments. In accordance with the developed plan, we completed a review of the Department of Public Social Services' (DPSS or Department) compliance with County procurement policies and procedures.

It should be noted that we initiated our review in February 2011, covering transactions from Fiscal Year 2010-11. However, our review was placed on hold a number of times due to other priority assignments, including Board-ordered special audits. We completed our review in August 2013 and sent DPSS a summary of our findings. DPSS management reviewed the findings and provided their response in December 2013.

Background

DPSS' Materials Management Section and Fiscal Operations Division have primary responsibility for ordering and receiving items (i.e., goods, services), issuing payments, managing supply inventories, and monitoring equipment. DPSS has an annual services and supplies budget of over \$500 million.

Review Scope and Summary

We reviewed DPSS' procurement practices for compliance with County policies and procedures. Our review included interviewing DPSS personnel, reviewing purchases, evaluating internal controls, and inventorying equipment and supplies. We noted that DPSS needs to improve compliance with County purchasing policies. The following is a summary of some of the issues noted during our review.

- **Circumventing Procurement Process** – DPSS staff ordered items directly from vendors and circumvented the appropriate procurement process (e.g., purchase requisitions, purchase orders, price quotes, etc.) for four (12%) of the 34 purchases reviewed, totaling \$15,500. In addition, DPSS could not provide requisitions for nine (26%) purchases, totaling \$47,200. DPSS management should ensure that staff complete purchase requisitions, and obtain management approval, to request items instead of ordering items directly from vendors. This ensures that the items are needed and prices are appropriate.

DPSS' response indicates that they have provided training to staff on the policies and procedures for purchase requisitions and purchase orders. It also indicates that they implemented the Procurement Module in the Countywide Accounting and Purchasing System (eCAPS), which requires approved purchase requisitions and purchase orders before issuing payments.

- **No Price Quotes** – DPSS staff did not obtain required price quotes for 11 (55%) of the 20 purchases reviewed, totaling \$42,000. We also noted that the staff split purchases to avoid price quotes for three (75%) of the four potential split purchases we reviewed, totaling \$8,300. DPSS management should ensure that staff obtain price quotes as required by County purchasing policies.

DPSS' response indicates that they have provided training to staff on the policies and procedures for non-agreement purchases.

- **Insufficient Surplus Equipment Oversight** – Surplus equipment includes items that departments no longer need (e.g., obsolete, etc.) and plan to dispose. We could not locate five (20%) of the 25 surplus equipment items reviewed that were awaiting disposal. We estimate that the items are currently valued at \$700. We also noted that DPSS management did not approve four (40%) of the 10 completed disposals reviewed, and could not provide documentation confirming that the disposals actually occurred. DPSS management should appropriately safeguard surplus equipment while awaiting disposal, ensure staff obtain manager approval before disposing of items, and maintain supporting documentation.

DPSS' response indicates that they have restricted access to surplus equipment to authorized staff only. It also indicates that they have provided training to staff on the policies and procedures for surplus equipment, and that managers now approve all disposals.

- **Inadequate Supply Processes** – We noted significant control weaknesses with DPSS' supply processes. We observed DPSS' supply record-keeper changing perpetual inventory records without adequate supporting documents (e.g., supply request forms, etc.) and various employees performing incompatible duties that would allow them to easily misappropriate supplies without being detected. We also completed a physical supply inventory of 20 different types of supplies. For three (15%) of the supplies we selected, a total of 48 items were missing, valued at \$3,300. DPSS management should ensure that changes to the perpetual inventory records are based on appropriate supporting documents, and incompatible duties are segregated to different employees as required by County policy.

DPSS' response indicates that they have appropriately segregated incompatible warehouse duties, and the warehouse manager will conduct monthly reviews of supply inventory.

Detailed results of our review and recommendations are included in Attachment I.

Review of Report

We discussed the results of our review with DPSS management. They generally agreed with our findings and recommendations. DPSS' attached response (Attachment II) describes the corrective actions they have taken, or plan to take, to address the recommendations in our report.

We thank DPSS management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

WLW:AB:RS:YK

Attachments

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, Department of Public Social Services
Jim Jones, Director, Internal Services Department
Department Heads
Public Information Office
Audit Committee

DEPARTMENT OF PUBLIC SOCIAL SERVICES PROCUREMENT REVIEW

Background

In August 2007, your Board instructed the Auditor-Controller to develop a risk-based plan to audit procurement operations in all County departments. In accordance with the developed plan, we completed a review of the Department of Public Social Services' (DPSS or Department) compliance with County procurement policies and procedures.

It should be noted that we initiated our review in February 2011, covering transactions from Fiscal Year 2010-11. However, our review was placed on hold a number of times due to other priority assignments, including Board-ordered special audits. We completed our review in August 2013 and sent DPSS a summary of our findings. DPSS management reviewed the findings and provided their response in December 2013.

DPSS' Materials Management Section and Fiscal Operations Division have primary responsibility for ordering and receiving items (i.e., goods, services), issuing payments, managing supply inventories, and monitoring equipment. DPSS has an annual services and supplies budget of over \$500 million.

Review Scope

We reviewed DPSS' procurement practices for compliance with County policies and procedures. Our review included interviewing DPSS personnel, reviewing purchases, evaluating internal controls, and inventorying equipment and supplies.

General Purchasing and Payment Controls

County Fiscal Manual (CFM) Chapter 4 requires department staff to complete purchase requisitions to request items, and obtain management approval. Approved requisitions are sent to procurement staff, who subsequently issue purchase orders to vendors to order the requisitioned items. Purchase orders are formal agreements between the County and vendors which identify purchasing terms (e.g., item type, quantity ordered, price, etc.) and are used to encumber budgeted funds. Purchases should not be initiated until the Department has properly approved requisitions and purchase orders in place so there is no ambiguity about what is being purchased and the agreed upon pricing.

The CFM also requires staff to review receiving documents provided by vendors (e.g., packing slips, etc.), verify that all items were received, and record results on receiving documents. It also requires invoice processing staff to match the invoices to purchase requisitions, purchase orders, and receiving documents before paying vendors. This ensures that payments are only made for items that were actually authorized, ordered, and received, and that correct prices are paid. In addition, vendors must be paid within 30 days of receiving invoices.

We reviewed 34 DPSS purchases, totaling \$228,000, and noted the following:

- **Circumventing Procurement Process** – DPSS staff ordered items directly from vendors, circumventing the appropriate procurement process (e.g., purchase requisitions, purchase orders, price quotes, etc.) for four (12%) of the purchases, totaling \$15,500.
- **Purchase Requisitions** – DPSS could not provide purchase requisitions for nine (26%) purchases, totaling \$47,200, and did not obtain manager approval on the purchase requisition for one (3%) purchase, totaling \$1,600.
- **Purchase Orders** – DPSS issued a purchase order after they received the items and the invoice for one (3%) purchase, totaling \$4,700. As noted above, purchases should not be initiated unless there are approved purchase orders in place to ensure appropriate managerial pre-approval.
- **Receiving** – DPSS staff did not record that items were received on the receiving documents for five (15%) purchases, totaling \$90,800.
- **Invoice Processing** – DPSS staff do not always match invoices to the required purchasing documents before paying vendors. As noted above, payments were issued without purchase requisitions or verification that the items were received.
- **Payment Timeliness** – DPSS needs to pay invoices timely. DPSS paid vendors an average of 135 days late for seven (21%) purchases, totaling \$31,800.

We also noted significant control weaknesses with DPSS' internal requisitioning system. The system was entirely maintained by an outside vendor, and not managed by DPSS. DPSS staff could request system access from the vendor without DPSS management approval. DPSS management also did not monitor user access in the system (e.g., employees had multiple User IDs, etc.). Giving a vendor control over requisitions is a significant risk because the requisitions authorize departmental purchases. Since our review, DPSS has been using the Procurement Module in the electronic Countywide Accounting and Purchasing System (eCAPS) to process requisitions.

Recommendations

Department of Public Social Services management ensure staff:

1. **Complete purchase requisitions and obtain management approval to request items instead of ordering items directly from vendors.**
2. **Issue purchase orders when ordering items and appropriately record the items received.**

3. **Match vendor invoices to purchase requisitions, purchase orders, and receiving documents before paying vendors.**
4. **Pay vendors within 30 days of receiving invoices.**

Non-Agreement and Agreement Purchases

The Internal Services Department (ISD), as the County's purchasing agent, delegated DPSS the authority to purchase non-agreement items under \$15,000. All purchases over the delegated authority must be processed by ISD. Departments must comply with ISD policies when making non-agreement purchases under their delegated authority, including obtaining three price quotes for purchases over \$1,500.

ISD also establishes agreements with vendors for commonly purchased items. Departments can purchase items covered by the agreements without obtaining price quotes, and the purchases are not subject to the delegated authority limits.

We reviewed DPSS' purchases and noted the following:

- **Price Quotes** – DPSS did not obtain the required price quotes for 11 (55%) of the 20 non-agreement purchases reviewed, totaling \$42,000. The Department could have potentially received lower prices if they obtained price quotes.
- **Split Purchases** – We reviewed DPSS' non-agreement purchases to identify purchases that were split to circumvent price quote limits. We reviewed a sample of four potential splits, and determined that DPSS split three (75%) of the purchases, totaling \$8,300.
- **Vendor Agreements** – DPSS purchased non-agreement items on one (11%) of the nine agreement purchases we reviewed, totaling \$14,800. The agreement did not include the items purchased. DPSS should have obtained price quotes.

Recommendations

Department of Public Social Services management ensure staff:

5. **Request price quotes as required by County purchasing policy, and do not split purchases to circumvent the requirements.**
6. **Limit agreement purchases to only the items available on agreement.**

Capital and Non-Capital Equipment

Capital equipment includes items with a useful life over one year and acquisition costs over \$5,000, and non-capital equipment includes portable items under \$5,000. We reviewed DPSS' oversight of equipment and noted the following:

Equipment Oversight

CFM Chapter 6 requires departments to keep accurate equipment lists, track equipment with property tags, and assign responsibility for the equipment. They must also conduct a physical inventory of capital equipment every two years, and non-capital equipment every year.

We noted that DPSS conducts physical inventories of equipment as required. We also conducted an inventory of DPSS' equipment and noted that the capital equipment list was accurate, and the items were generally tagged and assigned to specific employees. However, DPSS' non-capital equipment list was not accurate. We could not locate two (10%) of the 20 items reviewed. DPSS indicated that one of the items was stolen from an employee, but could not determine why the other was missing. We also noted that one (5%) item was recorded twice on the equipment list. In addition, we identified two (10%) items that were obsolete and no longer used by the Department.

DPSS management should ensure that physical equipment inventories are conducted accurately, and equipment lists are updated for any discrepancies. They should also periodically review equipment lists for obsolete items, and dispose of them according to County policy (e.g., sale, transfer to other County department, etc.).

Recommendations

Department of Public Social Services management:

- 7. Ensure physical equipment inventories are conducted accurately, and equipment lists are updated for any discrepancies.**
- 8. Periodically review equipment lists for obsolete items, and dispose of them according to County policy.**

Surplus Equipment

Surplus equipment includes items departments no longer need (e.g., obsolete, broken, etc.). The CFM requires departments to separately store surplus equipment away from other items, and adequately safeguard the equipment, until it is disposed. Surplus equipment can be disposed using various methods, including selling the items, donating the items, and transferring the items to other County departments. Staff must obtain management approval to dispose of surplus equipment, and must keep documentation showing that the items were actually disposed.

DPSS stores surplus equipment away from other items, but does not always safeguard equipment appropriately. For example, some of DPSS' surplus equipment is stored in a caged area within the main warehouse. The cage is open throughout the day, and the area is often used by staff for exercising. We inventoried 25 surplus equipment items, and could not locate five (20%) of the items. We estimate that these items are currently

valued at \$700. DPSS management should appropriately safeguard surplus equipment while awaiting disposal.

In addition, we reviewed DPSS' surplus equipment disposal procedures. We noted that DPSS management did not approve four (40%) of the 10 completed disposals we reviewed, and could not provide documentation confirming that the disposals actually occurred. DPSS management should ensure that staff obtain management approval before disposing of surplus equipment, and maintain supporting documentation for the disposal.

Recommendations

Department of Public Social Services management:

- 9. Appropriately safeguard surplus equipment while awaiting disposal.**
- 10. Ensure staff obtain management approval before disposing of surplus equipment, and maintain supporting documentation for the disposal.**

Portable Computing Devices

We reviewed the Department's oversight of flash drives because we noted that one was stolen from an employee during another section of our review. Flash drives are portable computing devices, and according to County policies (e.g., CFM, Board Policy Manual, etc.), departments must track and encrypt them to safeguard information. They should also only be purchased when needed. We noted that DPSS does not track and encrypt all flash drives. We also noted that DPSS may not need them all. For example, DPSS has over 100 flash drives in storage (e.g., not given to employees, etc.), and several employees indicated that they do not use their flash drives. DPSS management should ensure that portable computing devices are tracked, encrypted, and only purchased when needed.

Recommendation

- 11. Department of Public Social Services management ensure portable computing devices are tracked, encrypted, and only purchased when needed.**

Warehousing and Supply Inventory

DPSS has one warehouse for supplies. We reviewed DPSS' warehousing and supply operations, and noted the following:

Perpetual Inventory Records

CFM Chapter 5 requires departments to maintain accurate perpetual inventory records for supplies by recording changes in supply levels (i.e., issuance, receipt, adjustment) as they occur. All changes should be based on appropriate supporting documentation (e.g., approved supply request forms, etc.).

Departments also need to complete an annual physical inventory of supplies to identify differences between recorded and actual supply levels. The physical supply inventory should be completed by count teams comprised of two employees with no other supply responsibilities. Management must investigate any differences identified, and authorize adjustments to perpetual inventory records.

We reviewed DPSS' perpetual inventory processes and noted the following:

- **Inappropriate Perpetual Inventory Changes** – We observed the supply record-keeper regularly changing the perpetual inventory records without appropriate supporting documentation. For example, the record-keeper would count items in the warehouse and make changes to perpetual inventory records. This practice defeats the entire purpose of perpetual inventory records. The records should be a reference point for what the actual supply levels “should be”.
- **Unreliable Physical Supply Inventory** – We noted that the physical inventory counts were completed by employees with supply responsibilities. They also did the counts by themselves. As a result, there is no assurance that counts were accurate. These employees could easily misappropriate supplies throughout the year and manipulate physical inventory counts to avoid being detected. We also noted that DPSS management does not investigate differences identified during the physical inventory, or authorize adjustments. The record-keeper receives the counts and changes perpetual inventory records accordingly.
- **Inaccurate Perpetual Inventory Records** – We completed a physical supply inventory of 20 different types of supplies at the warehouse. For three (15%) of the supplies we selected, a total of 48 items were missing, valued at \$3,300.
- **Slow Moving Items** – We noted that DPSS had not issued 132 supplies, totaling \$114,200, for over a year. DPSS management indicated that 56 (42%) supplies, totaling \$28,200, were obsolete. DPSS management should periodically review the perpetual inventory records to identify overstocked and obsolete supplies, and take appropriate action to resolve them (e.g., reduce order quantity, dispose of supplies, etc.).

Recommendations**Department of Public Social Services management:**

- 12. Ensure the supply record-keeper only changes perpetual inventory records based on appropriate supporting documentation.**
- 13. Ensure an annual physical supply inventory is completed by count teams comprised of two employees with no other supply responsibilities.**
- 14. Investigate any differences identified during the annual physical supply inventory, and authorize adjustments to perpetual inventory records.**
- 15. Monitor perpetual inventory records for overstocked and obsolete supplies, and take appropriate action to resolve them.**

Warehouse Security

Departments must restrict warehouse access to authorized employees, and store items susceptible to theft in higher security areas. We noted that all of the DPSS employees working in the building (e.g., accounts payable staff, etc.) have unrestricted warehouse access. In addition, while DPSS stores items susceptible to theft in separate cages with locks, we observed that some cages remained open during business hours.

We also noted that the supply record-keeper regularly accesses the warehouse without supervision (e.g., counting supplies, etc.). This is a significant control weakness. The employee could easily misappropriate supplies and record transactions to avoid being detected. DPSS management should restrict warehouse access to warehouse workers, and ensure cages storing the items susceptible to theft remain locked.

Recommendation

- 16. Department of Public Social Services management restrict warehouse access to warehouse workers, and ensure cages storing the items susceptible to theft remain locked.**

Perpetual Inventory Recordkeeping System

CFM Chapter 8 requires department information systems to maintain detailed records of all transactions processed. Managers must also periodically review information system users' access privileges, and verify that it is appropriate. We noted that DPSS' perpetual inventory recordkeeping system does not log individual transactions (e.g., supply receipt, issuance, etc.). DPSS management also could not explain some functions that users could perform within the system. In addition, a former employee's

access was not removed from the system. DPSS management should consider migrating perpetual inventory records to the eCAPS Inventory Module. They should also monitor user access in the perpetual inventory system to ensure it is appropriate, and remove access when users leave the Department.

Recommendations

Department of Public Social Services management:

- 17. Consider migrating perpetual inventory records to the eCAPS Inventory Module.**
- 18. Monitor user access in the perpetual inventory system to ensure it is appropriate, and remove access when users leave the Department.**

Internal Control Certification Program

The Auditor-Controller developed the Internal Control Certification Program (ICCP) to assist County departments in evaluating and improving internal controls over fiscal operations. Departments must review and evaluate controls in key fiscal areas, and certify that proper controls are in place, or that action is being taken to correct any deficiencies or weaknesses noted.

Many of the issues noted in DPSS' procurement operations should have been identified when DPSS completed their ICCP. DPSS management should ensure that the ICCP questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed to address each weakness.

Recommendation

- 19. Department of Public Social Services management ensure that Internal Control Certification Program questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed to address each weakness.**

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES

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SHERYL L. SPILLER
Director



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Fifth District

December 26, 2013

TO: Wendy L. Watanabe
Auditor-Controller

FROM:  (PA)
Sheryl L. Spiller, Director

**SUBJECT: RESPONSE TO THE AUDITOR-CONTROLLER'S PROCUREMENT
REVIEW OF THE DEPARTMENT OF PUBLIC SOCIAL SERVICES**

Attached is the Los Angeles County Department of Public Social Services' (DPSS) response to the Auditor-Controller's report on the Department of Public Social Services – Procurement Review (Attachment). The report was received on December 23, 2013. The review began in February 2011, covered Fiscal Year 2010-2011 and resulted in a total of 19 recommendations.

The Department implemented the majority of the corrective actions throughout the review process as your staff brought issues to our attention. As described in the attachment, DPSS has completed all but two recommendations. The two remaining recommendations, Recommendation 17 and Recommendation 19, are targeted for completion by April 30, 2014, and February 28, 2014, respectively.

If you have any questions, please let me know or your staff may contact Andy Nguyen, Human Services Administrator III In-Charge, at (562) 908-5879.

SLS:jr

Attachments

Attachment

AUDITOR - CONTROLLER'S PROCUREMENT REVIEW

**DEPARTMENT OF PUBLIC SOCIAL SERVICES
RESPONSE TO RESULTS AND RECOMMENDATIONS**

GENERAL PURCHASING AND PAYMENT CONTROLS

RECOMMENDATIONS

1. Complete purchase requisitions, and obtain management approval, to request items instead of ordering items directly from vendors.
2. Issue purchase orders when ordering items, and appropriately record the items received.
3. Match vendor invoices to purchase requisitions, purchase orders, and receiving documents before paying vendors.
4. Pay vendors within 30 days of receiving invoices.

DPSS RESPONSE TO 1:

With the implementation of eCAPS, all purchase requisitions are approved by management for appropriateness and a purchase document is issued for every purchase. All requisitions are processed through eCAPS and the unit price and amount are automatically populated based on the agreement price and quantity. Purchase documents are requested from the vendor, reviewed and subsequently approved by the supervisor and/or manager, if necessary and appropriate. This prevents the issuance of items prior to receipt of purchasing documents. Procurement staff was trained on policy and procedures for purchase requisition and purchase orders on August 22, 2013.

COMPLETED: August 22, 2013

DPSS RESPONSE TO 2:

With the implementation of eCAPS, all purchase requisitions are approved by management for appropriateness and a purchase document is issued for every purchase. All requisitions are processed through eCAPS and the unit price and amount are automatically populated based on the agreement price and quantity. Purchase documents are requested from the vendor, reviewed and subsequently approved by the supervisor and/or manager, if necessary and appropriate. This prevents the issuance of items prior to receipt of purchasing documents. Procurement staff was trained on policy and procedures for purchase requisition and purchase orders on August 22, 2013.

COMPLETED: August 22, 2013

DPSS RESPONSE TO 3:

A Three Way Match System was implemented in January 2012. This system ensures that the purchase order, invoice and proof of delivery documents are reviewed and signed. These three documents must match in order for Accounts Payable to process the payment. The items ordered are received and verified before paying vendor invoices. Staff was assigned to provide quality assurance on the Three Way Match System to ensure proper documentation of all items.

COMPLETED: January 31, 2012

DPSS RESPONSE TO 4:

The Accounts Payable and Receiving Unit received training in January 2012, on how to properly perform the receiving function in eCAPS. This training encompassed the importance of insuring received items match the purchase order pricing and quantities. Additionally the training covered the timely and proper processing of payments within 30 days of receiving the invoice.

COMPLETED: January 31, 2012

NON-AGREEMENT AND AGREEMENT PURCHASES

RECOMMENDATION

5. Request price quotes as required by County purchasing policy, and do not split purchases to circumvent the requirements.
6. Limit agreement purchases to only the items available on agreement.

DPSS RESPONSE TO 5:

The Procurement Unit was trained on policy and procedures for agreement and non-agreement purchases. In addition, ISD policy was discussed and distributed to all procurement staff on August 22, 2013.

COMPLETED: August 22, 2013

DPSS RESPONSE TO 6:

The Procurement Unit was trained on policy and procedures for agreement and non-agreement purchases. In addition, ISD policy was discussed and distributed to all procurement staff on August 22, 2013.

COMPLETED: August 22, 2013

CAPITAL AND NON-CAPITAL EQUIPMENT

RECOMMENDATIONS

7. Ensure physical equipment inventories are conducted accurately, and equipment lists are updated for any discrepancies.

8. Periodically review equipment lists for obsolete items, and dispose of them according to County policy.

DPSS RESPONSE TO 7:

The Department's Inventory Control Unit was trained on policies and procedures for tagging and maintaining an accurate list of non-capital equipment on August 22, 2013. In addition, DPSS conducts a yearly control equipment inventory.

COMPLETED: August 22, 2013

DPSS RESPONSE TO 8:

Warehouse staff was trained on policies and procedures for surplus equipment and proper disposal of obsolete items on August 22, 2013.

COMPLETED: August 22, 2013

SURPLUS EQUIPMENT

RECOMMENDATIONS

9. Appropriately safeguard surplus equipment while awaiting disposal.
10. Ensure staff obtain management approval before disposing of surplus equipment, and maintain supporting documentation for the disposal.

DPSS RESPONSE TO 9:

Warehouse staff was trained on policies and procedures for appropriately safeguarding surplus equipment on August 22, 2013. Disposal of equipment is now approved by management according to County Policy. Materials Management Section (MMS) staff not assigned to warehouse operations are no longer authorized to be in the area and exercise activities are no longer permitted.

COMPLETED: August 22, 2013

DPSS RESPONSE TO 10:

Warehouse staff was trained on policies and procedures for appropriately safeguarding surplus equipment on August 22, 2013. Disposal of equipment is now approved by management according to County Policy. MMS staff not assigned to warehouse operations are no longer authorized to be in the area and exercise activities are no longer permitted.

COMPLETED: August 22, 2013

PORTABLE COMPUTING DEVICES

RECOMMENDATION

11. DPSS management ensure portable computing devices are tracked, encrypted, and only purchased when needed.

DPSS RESPONSE TO 11:

It is DPSS policy to monitor and safeguard the information stored on portable computing devices, as stated in County Policy, and written procedures are in place to ensure proper tracking. Following the release of County policy on "Protection of Information on Portable Computing Devices," DPSS instituted the following procedures to appropriately monitor and safeguard information stored on portable computing devices:

- Conducted a Department-wide call-out to retrieve unencrypted flash drives from employees and replaced them with encrypted flash drives.
- Barcode all flash drives and closely track these devices in Asset Manager System.
- Purchase and issue flash drives based on business needs. A requestor must submit a PA 2197 Service Request form with proper justifications approved by the Office Head and Division Chief.
- When the business need no longer justifies the use of a flash drive, the user is to immediately turn in the device to the Office Head to be returned to the warehouse.

The Department does not use digital cameras to store sensitive or personal data. When cameras are returned by the users, the cameras do not need to be sanitized prior to disposal as they do not contain sensitive data.

COMPLETED: July 11, 2012

WAREHOUSING AND SUPPLY INVENTORY

RECOMMENDATION

12. Ensure the supply record-keeper only changes perpetual inventory records based on appropriate supporting documentation.
13. Ensure an annual physical supply inventory is completed by count teams comprised of two employees with no other supply responsibilities.
14. Investigate any differences identified during the annual physical supply inventory, and authorize adjustments to perpetual inventory records.
15. Monitor perpetual inventory records for overstocked and obsolete supplies, and take appropriate action to resolve them.

DPSS RESPONSE TO 12:

To ensure changes to the perpetual inventory records are based on appropriate supporting documentation, MMS has implemented the "*Supply Inventory Records Random and Physical Count Discrepancies Monthly Report*." This report captures the results of a monthly inventory review completed by the warehouse manager and is submitted to management for review on a monthly basis.

COMPLETED: August 22, 2013

DPSS RESPONSE TO 13:

MMS has improved the inventory procedures by implementing separation of duties. The staff responsible for the issuance of supplies no longer performs the yearly inventory and all supply discrepancies and adjustments are reviewed by management.

COMPLETED: July 1, 2013

DPSS RESPONSE TO 14:

To ensure changes to the perpetual inventory records are based on appropriate supporting documentation, MMS has implemented the "*Supply Inventory Records Random and Physical Count Discrepancies Monthly Report*". This report captures the results of a monthly inventory review completed by the warehouse manager and is submitted to management for review on a monthly basis.

COMPLETED: August 22, 2013

DPSS RESPONSE TO 15:

The Inventory Control Unit received reinforcement training on Equipment Disposal Procedures on August 22, 2013. Management authorizes disposal of all controlled equipment.

COMPLETED: August 22, 2013

WAREHOUSE SECURITY

Recommendation

16. DPSS management restrict warehouse access to warehouse workers, and ensure cages storing the items susceptible to theft remain locked.

DPSS RESPONSE TO 16:

Warehouse security measures now include signage warning staff of all restricted areas. Only authorized personnel have access and visitors are escorted throughout the building. All high security cages are locked and management makes random inspections to ensure policy is being followed.

COMPLETED: July 31, 2012

PERPETUAL INVENTORY RECORDKEEPING SYSTEM

Recommendations

17. Consider migrating perpetual inventory records to eCAPS Inventory Module.
18. Monitor user access in the perpetual inventory system to ensure it is appropriate, and remove access when users leave the Department.

DPSS RESPONSE TO 17:

MMS is currently working with the DPSS Academy on providing training to District/Office stockroom clerks on usage of the eCAPS Inventory Module. The migration of the perpetual inventory records to eCAPS is targeted for implementation by April 30, 2014.

TARGET DATE: April 30, 2014

DPSS RESPONSE TO 18:

MMS has developed and implemented the "Simple System User List Monthly Report" to track employees that are added or deleted from the Simple System data base. This report is submitted monthly to management for review.

COMPLETED: August 22, 2013

INTERNAL CONTROL CERTIFICATION PROGRAM

Recommendation

19. DPSS management ensure that ICCP questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed to address each weakness.

DPSS RESPONSE TO 19:

To ensure accurate completion of the ICCP questionnaires, identification of all internal control weaknesses and implementation of improvement plans:

- ICCP trainings were conducted by DPSS' Fiscal Compliance group for 676 managers and essential staff in late 2011.
- Additional ICCP training for managers is scheduled as part of DPSS' Human Resources Symposium in February 2014. This new training will emphasize managers' responsibility of identifying, reporting and correcting control weaknesses in their areas of operation.
- Future ICCP evaluations will include more in-depth reviews of existing controls for procurement, supplies and capital/non-capital assets inventory tracking processes.

TARGET DATE: February 28, 2014